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COPY NO. 12

OCI NO. 1879/55

3 March 1955

CD/ED

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

DIA and DOS review(s)
completed.

DOCUMENT NO. 22
NO CHANGE IN CLASS. ☐
☐ DECLASSIFIED
CLASS. CHANGED TO: TS S 25X1
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 25 Jul 79 REVIEWER:

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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

MATSUS MAY BE
PEIPING'S NEXT TARGET. Page 1

The next target of Chinese Communist military pressure may be the Matsu island group. The Nationalists are increasing their strength there to meet the threat.

[REDACTED]

FRENCH RATIFICATION
OF PARIS ACCORDS LIKELY. Page 2

French premier Faure has a fair chance of remaining in power at least until after the senatorial elections tentatively scheduled for mid-June. He will probably get the Paris agreements through the Council of the Republic and the budget through the National Assembly before the Easter parliamentary recess.

[REDACTED]

SOVIET MILITARY ATTACHÉS
RETURN FROM SATELLITES Page 2

Soviet military attachés who have returned to the USSR from the East European Satellites may have been called to participate in the planning of countermeasures to the Paris agreements, possibly including the establishment of a combined military command.

[REDACTED]

SITUATION IN SYRIA
RIPE FOR A COUP. Page 3

The situation in Syria is favorable for a coup by either pro-Western or neutralist forces. Conditions are likely to worsen.

[REDACTED]

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PART II

NOTES AND COMMENTS

Changes in the Soviet Council of Ministers: The promotion of three members of the Soviet Council of Ministers to be first deputy premiers and the appointment of four new deputy premiers broaden the leadership base of the Soviet government. The fact that some of these men have been long-time associates of Malenkov indicates that there still are political forces in top Soviet circles which are not under Khrushchev's complete control. [redacted] Page 1 25X1

Trends in Satellite Propaganda against the West: The propaganda of several of the European Satellites has recently taken a more hostile line toward the West and is now reminiscent of that followed in Stalin's day. This appears to be designed to dramatize the Soviet position on the disarmament program, West German rearmament, and "aggressive" American plans. [redacted] Page 2 25X1

Soviet-Satellite Geodetic Conference: Agreements reached at a geodetic conference of the USSR and the Satellites, held in Warsaw in October 1954, indicate that the mapping of Eastern Europe in conformity with Soviet geodetic standards is proceeding according to schedule. This program, slated for completion by 1959-1960, is important for military planning of ground and air, and particularly guided missile operations. [redacted] Page 3 25X1

Acceleration of Shipbuilding in Shanghai: During the past year, there has been a marked acceleration of shipbuilding, mostly small vessels, in Shanghai, where China's main shipbuilding capacity is located. [redacted] Page 4 25X1

Japan-Orbit Relations: The North Korean offer on 25 February to resume cultural and economic relations with Japan appears to be part of the over-all Communist peace strategy directed at the Japanese. The long delay in making the bid suggests, however, that Pyongyang may be having difficulty in overcoming its strong antipathy toward Japan and may have been pushed by Moscow into making the offer. [redacted] Page 4 25X1

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Prospects for the New Japanese Government: Prospects are that the new Japanese government will be a transitional one and that Japan will continue to desire to be on friendly terms with both the East and the West, will tend to ignore the Communist threat, and will be reluctant to commit itself to a program of rearmament. [REDACTED]

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King of Cambodia Abdicates: King Norodom's abdication was almost certainly precipitated by foreign objections to his political "reform" proposals. The king's action may be merely a maneuver. [REDACTED]

Page 7 25X1

Government Change Possible in Laos: The crown prince of Laos may dismiss Premier Katay within a few weeks if Katay does not adopt a stronger line against the Communists. [REDACTED]

Page 7 25X1

The Andhra Elections: Early returns from the South Indian state of Andhra indicate that the Congress Party is winning in the elections for the legislature. Final results will not be known, however, until about 9 March. [REDACTED]

Page 8 25X1

Clash on Egyptian-Israeli Frontier: An Israeli attack on an Egyptian border post on 28 February suggests the revival of the tough policy associated with David Ben-Gurion, former prime minister, who has just become defense minister. [REDACTED]

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Repatriates from Satellites Pose Security Problem in Greece: The resettlement of repatriates from Satellite countries is confronting the Greek government with serious security problems. These difficulties will probably increase as additional repatriates arrive. [REDACTED]

Page 9

Economic Problems Continue to Trouble Guatemala: Economic problems, aggravated by the recent drop in world coffee prices, continue to trouble Guatemala. Recovery from the economic paralysis which followed last June's revolution has hardly begun. [REDACTED]

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PART III

PATTERNS AND PERSPECTIVES

SOVIET AGRICULTURE: PLANS AND PROSPECTS, 1955-1960. . . . Page 1

Malenkov's resignation statement highlighted the fundamental weakness of Soviet agriculture. By 1960, the USSR hopes to double its 1954 output of grain and livestock products, principally through the programs for expansion of corn production and development of new lands, with which Khrushchev has been closely identified. It is currently estimated, however, that increases of only 20 to 30 percent can be achieved. [REDACTED]

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FRENCH POLICY AND THE TURKISH-IRAQI PACT Page 4

France is following a policy in the Near East which exploits and is intensifying discord among the Arabs and threatens to weaken Western solidarity. The policy arises from a fear that the new Turkish-Iraqi treaty is a prelude to Iraqi-Syrian union, which would threaten French interests in Syria. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 March 1955****PART I****OF IMMEDIATE INTEREST****MATSUS MAY BE
PEIPING'S NEXT TARGET**

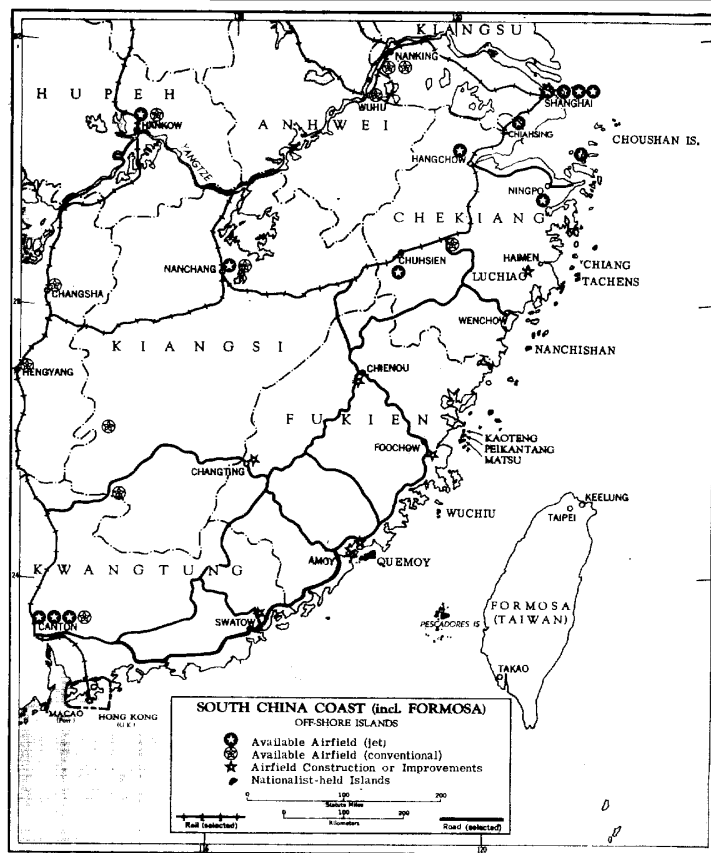
The next target of Chinese Communist pressure may be the Matsu island group.

Work is proceeding rapidly on the new Communist jet base at Luchiao, 175 miles north of the Matsus, and the field may be completed soon.

an internal propaganda build-up on the mainland similar to that noted before the attack on Ichang and the increased pressure on the Tachens.

The Communists may try to take the more lightly defended islands in the Matsu area before attacking the three main islands of Matsu, Kaoteng, and Peikantang.

One early target could be the Wuchiu Islands, midway between the Matsus and Quemoy. Communist patrol craft and junks, which shelled the islands on 25 February, are gathered at a Communist-held island north of the Wuchius. The Communists may well be planning to increase pressure on the new

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**FRENCH RATIFICATION
OF PARIS ACCORDS LIKELY**

French premier Faure has a fair chance of remaining in power at least until the senatorial elections tentatively scheduled for mid-June. He will probably get the Paris agreements through the Council of the Republic and the budget through the National Assembly before the Easter parliamentary recess.

The principal dangers which threaten Faure's position are a desire of Mendes-France's supporters to neutralize Faure as a rival to Mendes-France, and conflicts within Faure's own coalition.

The conflicts within the cabinet will encourage a do-nothing policy. Faure is an astute politician, however, and he can be expected to show

some semblance of the kind of dynamic leadership exemplified by Mendes-France.

He is inclined, for example, to reject the proposed \$100,000,000 American aid for the French Expeditionary Corps in Indochina. Such a gesture would be politically profitable internally, and would permit him to make a show of greater freedom of action in foreign affairs.

Few changes will probably be made in the economic program which Faure directed under both Laniel and Mendes-France. The premier foresees no difficulty in obtaining assembly approval of the budget, but he is more concerned than in the past over the danger of inflation. [REDACTED]

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**SOVIET MILITARY ATTACHÉS
RETURN FROM SATELLITES**

During the past five weeks, Soviet military attachés in all the European Satellites have returned to the USSR. They may have been called to participate in consultations on countermeasures to the Paris agreements possibly including establishment of a combined military command.

The visits of some Satellite military leaders to Moscow earlier in January also indicate that important consultations have been under way.

In his speech to the Supreme Soviet on 8 February

Molotov stated that a mutual defense pact was already being negotiated. He noted that a "unified military command" for the USSR and East Europe would have to be created if the Paris agreements were implemented.

The return of the attachés may be a part of the USSR's effort to impress the West with the possible imminence of Orbit countermeasures. These permanent changes of station are unusual in view of the fact that most of the Soviet attachés in the Satellites had had relatively short tours of duty.

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All are high-ranking officers, with distinguished combat records. Three were corps commanders in World War II. Their recent experience in Eastern Europe would make them useful members of combined planning or operational staffs.

The absence of the Soviet military attaché in Peiping from the Army Day festivities on 23

February suggests that he also may have been called to Moscow.

China's interest in, and support of, Orbit security measures in Europe were expressed by a Chinese Communist observer at the December conference in Moscow. The USSR recently acknowledged this pledge of support for the decisions of that conference. [REDACTED]

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SITUATION IN SYRIA
RIPE FOR A COUP

The situation in Syria is favorable for a coup by either pro-Western or neutralist forces.

Conditions are likely to worsen as the opposing forces prepare to fight for the presidency of the country. The term of the present incumbent, conservative president Atasi, expires in August. Under the constitution, a successor is selected by parliament.

The narrow vote of confidence (66-53) given the leftist, anti-Western government of Prime Minister Asali on 24 February clearly indicates that Syria is now sharply split between pro-Western and anti-Western forces. Each enjoys some military and some foreign support, and each suspects the other of planning a military coup.

The Asali government is supported by opportunistic independents, extreme Socialists, and Communists, and by Egypt, Saudi Arabia and France. The government depends heavily on the support of the chief of staff.

Asali's foes are mainly conservatives who favor closer relations with Iraq, Britain and the United States and who have less significant support in the Syrian army.

Iraq has indicated a willingness to "march in" in order to counteract Egyptian, Saudi Arabian and French intrigue, but seems unlikely to do so in the immediate future. [REDACTED]

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PART II

NOTES AND COMMENTSChanges in the Soviet Council of Ministers

The promotion of three members of the Soviet Council of Ministers to be first deputy premiers and the appointment of four new deputy premiers, announced by Moscow radio on 28 February, broaden the leadership base of the Soviet government. The changes confirm, moreover, the continuing influence within top circles of the younger industrial technicians and central planning specialists.

The choices are in part accounted for by the fact that these men are extremely able and almost indispensable administrators and are already members of the party presidium. Since some

of them have been long-time Malenkov associates, however, the promotions are probably also intended to convey the impression of unity in the presidium and to counter any expectations of a widespread purge of former Malenkov supporters.

Mikoyan, one of those promoted, was among the most prominent spokesmen for the consumers' goods program. Saburov and, to a lesser extent, Pervukhin, are believed to have been connected with Malenkov over a considerable period. It appears, therefore, that political forces not under Khrushchev's complete control still exist in top Soviet circles.

USSR COUNCIL OF MINISTERSChairman

N. A. Bulganin

First Deputy Chairmen

V. M. Molotov A. I. Mikoyan
L. M. Kaganovich M. Z. Saburov
 M. G. Pervukhin

Deputy Chairmen

A. N. Kosygin A. P. Zavenyagin
V. A. Malyshev V. A. Kucherenko
I. F. Tevosyan P. P. Lobanov
G. M. Malenkov M. V. Khrunichev

48 other ministers
3 officials with ministerial rank

The presidium of the Council of Ministers consists of the chairman and the first deputy chairman.

By these appointments, the membership of the presidium of the Council of Ministers is raised from three to six and includes all party presidium members except Khrushchev and Voroshilov, who are not on the Council of Ministers, and Malenkov, who is only a deputy chairman of that body.

The number of deputy chairmen of the Council of Ministers has been doubled. The four newcomers are new to the highest circles of government. At least three of them were on secondary echelons in the bureaucracy, below other officials who might more logically have been candidates for such promotions.

The changes emphasize the importance which the USSR currently attaches to defense industries.

One of the new deputy chairmen, A. P. Zavenyagin, is a leading figure in the Soviet atomic energy program. Another, M. V. Khrunichev, is a former minister of aviation industries.

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Defense Minister Zhukov, however, was not made a deputy chairman. This leaves the armed forces with no representative in the Council of Ministers at the deputy chairman level or higher except Marshal Bulganin, until recently minister of defense, who has other responsibilities as premier.

The police apparatus also is without direct representation on the council.

Malenkov's government position now is inferior to that of any other party presidium member, including such previously low-ranking members as Pervukhin and Saburov.

The new deputy chairmen bring a variety of new skills into high government circles.

Lieutenant General A. P. Zavenyagin has a long career in construction and heavy industrial activities within the MVD and is one of the foremost administrators in the Soviet atomic energy program. The fact that he also has been made minister of medium machine building strengthens previous indications that this ministry has responsibility for atomic energy.

V. A. Kucherenko, first deputy chairman of the Moscow executive committee since 1954, has specialized in the field of machine building and construction. He served under Khrushchev in the Ukraine and came to Moscow in 1950 as USSR deputy minister of construction and machine-building enterprises.

P. P. Lobanov has been first deputy chairman of the Council of Ministers and RSFSR minister of agriculture since August 1953. A leading administrator in Soviet agriculture for over 15 years, he has played a prominent role in Khrushchev's "new lands" program.

M. V. Khrunichev, who holds the rank of lieutenant general of aeronautical engineering service, has worked in the Soviet central administrations for aircraft and other defense industries since at least 1942.

In 1946, he became minister of aviation industries, replacing a Malenkov protégé who had apparently left under fire. He served in that post until the ministry was abolished after Stalin's death. He was apparently demoted in the immediate post-Stalin era, when he was made first deputy minister of defense industries and later first deputy minister of the aviation industries.

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Trends in Satellite Propaganda against the West

The propaganda of several European Satellites is taking a more hostile line toward the West. This has been particularly noticeable since the Supreme Soviet meeting early in February.

The tone of the current propaganda is strongly reminiscent of the line followed in Stalin's day, which has been muted during the past two years.

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The Satellites' new propaganda hostility seems to be designed to dramatize the Soviet position on the disarmament program, West German rearmament, and the allegedly "aggressive" plans of the United States.

The intensity of the current campaign is probably accounted for partly, however, by the celebrations of Soviet Army Day and the anniversary of the Communist coup in Czechoslovakia, and by seizure of the Rumanian legation in Bern by anti-Communist refugees.

Soviet Army Day celebrations on 23 February were used by several Satellites to propagandize Molotov's claims in his Supreme Soviet speech of Soviet Orbit superiority in all military fields, including the development of thermonuclear weapons.

At the same time, the Hungarian press carried an account of the Soviet army's role in World War II which was very similar to the Stalinist line and was in marked contrast to the public recognition by high-ranking Soviet military officials last year of the part played by Western armies.

Rumanian premier Gheorghiu-Dej delivered to a specially called session of the Grand

National Assembly on 22 February the most vitriolic anti-American speech made by any Satellite leader since the death of Stalin. Gheorghiu-Dej accused the United States of carrying on "for years every kind of provocative action against our country" and, specifically, of fomenting the attack on the Rumanian legation in Bern.

The USSR and Hungary have also seized on the Bern incident to attack the United States for "criminal actions against the peace camp."

Czechoslovakia recently renewed its attacks on the United States for allegedly intervening at the time of the Communist coup in 1948.

The Polish government publicized in early February a day-by-day account of the trial of alleged British espionage agents.

The Orbit, however, is still paying lip service to the "peaceful coexistence" theme. Soviet and Satellite leaders were conspicuously affable toward Western diplomatic representatives at the Soviet Army Day receptions in Warsaw and Bucharest.

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Soviet-Satellite Geodetic Conference

Agreements reached at a geodetic conference of the USSR and the European Satellites, held at Warsaw from 17 to 28 October 1954, indicate that uniform topographic maps of the European Satellites will be produced by 1959-1960, in conformity with a time schedule set two years ago. The conference probably was called to expedite the program.

The output of large-scale maps of Satellite territory conforming with Soviet standards will be small for some years to come. Ultimately, however, the possession of a single integrated mapping system will give the USSR an advantage of considerable consequence for future military planning, since modern positioning accuracies will thus become possible for ground, air

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and guided missile operations extending through Eastern Europe.

While the Satellites probably cannot meet the agreed

deadline with their own resources and facilities, there is little doubt that, with substantial Soviet support, the program can be completed on schedule. [redacted] Prepared by ORR)

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Acceleration of Shipbuilding in Shanghai

During the past year, there has been a marked acceleration of shipbuilding, mostly small vessels, in Shanghai, where China's main shipbuilding capacity is located.

No large naval vessels are under construction in Shanghai but increasing numbers of YP's (lightly armed patrol craft) are being launched at the large Kiangnan naval shipyard, [redacted]

Shipbuilding at Shanghai during the past year has

emphasized merchant-type craft. Kiangnan launched, in addition to YP's, a river steamer which had been started in 1952, a river railroad ferry and a coastal freighter. Several more similar vessels--all about 2,700 gross tons--were floated from other Shanghai ways which have also been busily producing river and coastal craft, both powered and unpowered.

Much of the increase in shipbuilding was probably planned long ago, as many of the 1954 launchings, particularly of the YP's, appear to have been part of a production schedule begun several years earlier. [redacted]

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Japan-Orbit Relations

The North Korean offer on 25 February to resume cultural and economic relations with Japan appears to be part of the over-all Communist peace strategy directed at the Japanese.

[redacted] an attempt to block current Japanese-South Korean negotiations aimed at settling outstanding issues, influence the recent general elections, and counter free world moves to bring Japan into a comprehensive Asian defense system.

Pyongyang had previously noted with approval similar overtures from Moscow and Peiping. The North Koreans' long delay in making their own bid however, suggests that Pyongyang may have had difficulty in overcoming its strong antipathy toward Japan and may have been pushed into making the offer by Moscow. Since North Korea has little export potential, and South Korea has been an important customer, Japan is not likely to pursue the offer, despite Hatoyama's initial enthusiasm. [redacted]

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**Prospects for the New
Japanese Government**

Lacking a majority by some 49 seats, outlook for the next Japanese government is for a continuation of the political instability of the past six months.

The new government will probably be headed by Prime Minister Ichiro Hatoyama.

With only 186 seats in the 467-member lower house, Hatoyama's government will depend for its survival on the support of the opposition Liberals. Moreover, factionalism among the Democrats, as well as Hatoyama's frail health, suggest that the government will be transitional.

Because of probable pressure from financial circles, however, the conservatives will co-operate long enough to get the 1955 Japan fiscal year budget through the Diet.

While some Liberals are likely to defect to the Democrats during the next few months, it is doubtful whether enough will bolt to give Hatoyama a majority.

A conservative merger during the next Diet session likewise appears remote, although some realignment of the conservative forces may take place before the end of the year.

The gain of 21 seats by the Socialists may prompt the conservatives to initiate action against the growing leftist threat. Many conservatives are expressing concern over the

gradual shift toward the left, and are urging a "national rebirth" which would restore the emperor's prestige and reinstate some measure of authoritarianism.

With the election over, Japan's basic policy of maintaining good relations with the United States will undoubtedly again be reasserted. Nevertheless, an inclination to haggle over defense, surplus commodities sales, repayment of post-war aid and other issues are likely to impose serious strains on these relations.

Furthermore, Japan's efforts to be on friendly terms with both the East and the West, its tendency to ignore the Communist threat and its reluctance to associate itself with over-all Asian defense will limit its potential value as a stabilizing force in Asia.

Partly because of the tenuous hold they will have on the government, the Democrats will probably try to enhance their prestige and popularity by continuing efforts to seek peace treaties with the Soviet Union, Poland and Czechoslovakia. Japan will probably limit its relations with Peiping to an expansion of trade and cultural contacts, probably including an exchange of trade missions, while turning down North Korean overtures. In addition, it will adhere to, but seek a reduction in, export controls on shipments to the Orbit.

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King of Cambodia Abdicates

King Norodom's abdication was almost certainly precipitated by foreign objections to his political "reform" proposals. The king's action may be merely a maneuver.

Without firm leadership, political jockeying for power and position will become a serious problem. Discipline in the security forces which is already weak can also be expected to deteriorate further, particularly in the army.

In his abdication statement, Norodom indicated he was resigning because political parties, including the Democratic Party of Son Ngoc Thanh, had "complained to the International Control Commission in order to prevent me from continuing my work."

Actually, the opposition of Canada, India and Britain to his plans to postpone national

elections, drastically revise the constitution and eliminate political parties was not instigated by local politicians, but was based on the premise that such action would contravene Cambodian pledges made at the Geneva conference.

It seems highly unlikely that Norodom will remove himself from Cambodian politics. He may, in fact, be making a grandstand play as the champion of Cambodian control over its internal affairs. He may even engineer his recall to the throne by popular acclamation. 25X1

Norodom's own past behavior--such as exiling himself to Thailand in 1953 to dramatize his protest against continued French rule--lend support to such a possibility.

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Government Change Possible in Laos

The crown prince of Laos may dismiss Premier Katay within a few weeks if Katay does not adopt a stronger line against the Pathet Lao. Laotian leaders are impressed with the protection against the external threat provided by the Manila pact but are vague about their plans to deal with the Pathet Lao.

Prince Souphanavong, the leader of that movement, has made explicit his concept that the disputed northern provinces fall under exclusive Pathet Lao jurisdiction pending the political settlement envisaged in the cease-fire agreement.

Katay has said he will break off negotiations with the Communists

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if no settlement is reached by 15 March. In conversation with Secretary Dulles, however, Katay indicated that after the break-

off date he might merely continue by other means his efforts to induce Pathet Lao defections.

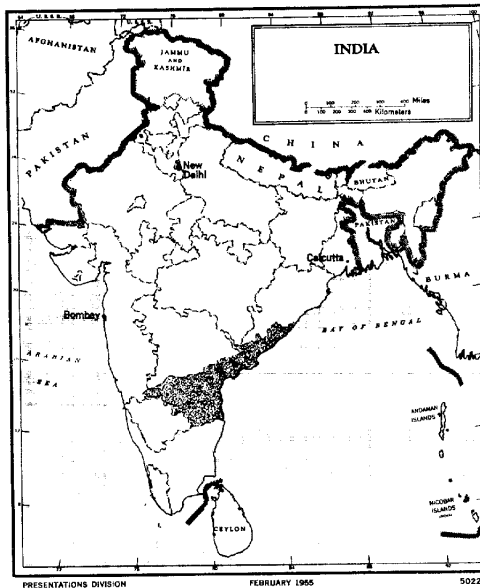
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The Andhra Elections

Early returns from the South Indian state of Andhra indicate that the Congress Party is winning the elections for the legislature. Voting ended on 27 February, but final results will not be known until about 9 March.

The Indian Communists have admitted their probable defeat and are accusing the Congress of fraud. The Indian government will be unimpressed by these charges, however.

The American consulate reports that most observers believe the venal nature of many of the Congress-coalition candidates casts doubt on their loyalty to Congress after election funds dry up. The Congress majority seems likely to be sufficiently



large to render unimportant any shift of loyalty by a few deputies.

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Clash on Egyptian-Israeli Frontier

On 28 February, ten days after former prime minister David Ben-Gurion returned to the Israeli cabinet as defense minister, Israeli army units attacked Egyptian military installations in Gaza in the most serious incident on this front since the 1949 armistice.

The American army attaché in Tel Aviv considers that the number of men involved and the type and quantity of explosives used indicate that the attack was well planned and cannot be termed a "retaliatory raid."

This incident suggests that Ben-Gurion, faced with growing internal pressure, particularly from army elements, for positive action, may have revived the tougher military policy toward the Arabs which he personified in the past.

While other border incidents may be anticipated, Israel is unlikely to provoke intentionally an outbreak of general hostilities.

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Repatriates from Satellites
Pose Security Problem in Greece

The resettlement of repatriates from Satellite countries is confronting the Greek government with serious security problems.

As part of a general Satellite policy, about 3,600 Greeks carried off during the guerrilla war of 1947-1949 were repatriated from Hungary, Rumania, Bulgaria and Czechoslovakia during the past year. Another 2,500, mostly from Poland, are expected to arrive soon. Approximately 20,000 Greeks still remain in the Satellites.

Disillusionment and disaffection are spreading among the repatriates returning to the chronic poverty and misery of the northern Greek villages, from which most of them originated. The government has endeavored to improve the situation, but a Greek official reported recently that only 20 percent of the returnees have been resettled, while the remaining 80 percent are living precariously with the help of government housing and subsistence grants.

The repatriation of some 750 Greeks from Czechoslovakia in September and December has created problems which are typical. Most of these--all young people--learned industrial trades and participated in the activities of youth organizations in Prague, where their standard of living was high compared to that in the Greek villages. They returned with bicycles, radios, sewing machines, and even a washing machine, all rare articles in northern Greece, where few communities can boast electricity. Many have asked to return to Czechoslovakia. At the same time, their possessions have aroused envy and discontent at home.

Athens appears alert to the probability that trained Communist agents have been planted among the repatriates. The returnees are screened at points of entry and the government refused to accept almost 50 percent of those arriving in December. Some agents, nevertheless, have probably succeeded in entering Greece.

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Economic Problems Continue
to Trouble Guatemala

Economic problems, aggravated by the recent drop in world coffee prices, continue to trouble Guatemala. Recovery from the economic paralysis which followed last June's anti-Communist revolution has been excessively slow.

Political uncertainties have been a primary factor in discouraging domestic and foreign capital investment. Eight months after the revolution, business is still depressed

and some \$50,000,000 in private Guatemalan capital which fled the country at the time of the revolution and a substantial portion of which could normally be expected to return, remains unrepatriated.

Unemployment is at record levels and is reported to be increasing. Labor, smarting under a fluctuating and increasingly hostile government labor policy, is disillusioned. Popular discontent is being

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intensified by a rise in the cost of living.

The recent sharp drop in world prices for coffee, which accounts for about 80 percent of the value of Guatemalan exports, confronts the government with an immediate major crisis. Coffee sales virtually stopped in mid-February, with only about a third of last year's export crop sold. Over half the export crop had been sold by this time last year.

Sales are expected to resume, but even the most optimistic estimates anticipate foreign exchange receipts some \$17,000,000 under last year's as a result of the price drop. The government, counting on \$22,000,000 in coffee revenues, had received only \$7,000,000 by 15 February and there is danger that the treasury will soon be unable to meet its obligations.

Unless it obtains outside help, the government will probably be forced either drastically to reduce its public works program, which would add to unemployment and magnify dis-

content, or to draw on its monetary reserves, which would tend to undermine the currency.

On 16 February the government asked the United States for an emergency grant of \$5,000,000. This amount, it feels, would permit it to provide the coffee producers with a profit incentive by reducing taxes without retrenching on its economic program or drawing on reserves.

There are, on the other hand, some encouraging signs. Guatemala stands to gain from the current discussions among the 14 Latin American coffee-producing countries looking toward the establishment of minimum prices. The \$6,400,000 in American aid granted Guatemala last October is beginning to make itself felt.

A new agreement was concluded with the United Fruit Company in December which may bring the government as much as \$1,000,000 in added annual income. In addition, the prospect for new investments by the fruit company and by American petroleum companies appears good.

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PART III

PATTERNS AND PERSPECTIVESSOVIET AGRICULTURE: PLANS AND PROSPECTS, 1955-1960*

Malenkov's resignation statement, with its explicit, carefully contrived admission of guilt for agricultural failures, highlighted the fundamental weakness of Soviet agriculture. The statement indicated that policy differences in this field had been a major factor in the struggle for political power within the top leadership. Success or failure of present agricultural plans may therefore have an important bearing on the stability of the Soviet leadership in the next several years.

Khrushchev is closely identified with two elements of these plans--the "new lands" program for expanding wheat acreage in marginal areas, and the recently announced drive to expand corn acreage sevenfold by 1960. Both programs are major gambles because of weather and soil conditions.

Public statements made by Khrushchev and Malenkov between August 1953 and March 1954 suggest that, during that period, a basic policy shift occurred on measures to increase agricultural production and that Khrushchev succeeded in taking the initiative from Malenkov, who was probably unenthusiastic about the "new lands" program.

There are some fairly good indications that Malenkov would have preferred to pursue the policy of increasing agricultural output without drastically altering the existing pattern. This would have been achieved by means of a program based on intensive utilization of existing resources, conservation of materials, and expanded use of technical equipment and worker incentives.

In any case, the official attention to agriculture during

*Prepared jointly with ORR.

the past eighteen months--unparalleled since the collectivization period of the early 1930's--is indicative of a belated awareness on the part of the Soviet leaders that the slow growth of agricultural output threatens to retard the general economic growth of the USSR.

The "new lands" and corn expansion programs are intended to result, by 1960, in the doubling of the 1954 output of both grain and livestock products. Raising the output of livestock products would lead to an improvement in the quality of the Soviet diet.

Both programs are highly expensive. The economic input required per calorie is much greater for livestock products than for grain or other food crops. Moreover, the long-term cost of the marginal lands program may be excessive. Crop failures resulting from climate conditions--which have forced abandonment of previous attempts to cultivate these areas--may be expected to occur in two out of every five years.

In 1954, serious difficulties were encountered in moving personnel and equipment to the new lands and getting operations under way on schedule. Only 3,600,000 hectares (about 8,900,000 acres) were sown and harvested in the new areas during the year. Considerably more difficulty may be expected in the marginal lands when this area is increased eight or nine times--as planned for 1956.

To facilitate transport to and from the new lands, at least eleven railroad lines, mostly narrow gauge, with a proposed total length of over 2,000 kilometers, are to be constructed. About 800 kilometers are to be completed with the aid of state

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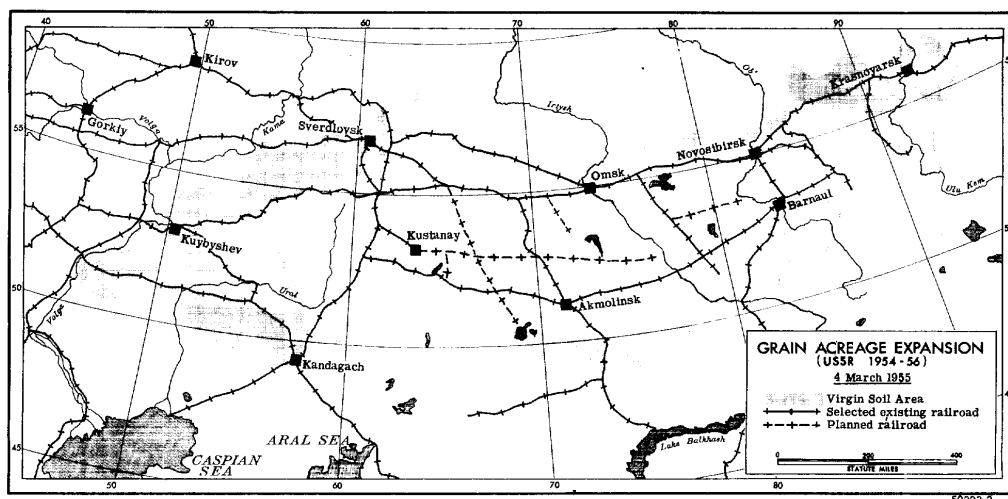
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farm workers before the beginning of the 1955 grain harvest.

In his speech on 25 January, Khrushchev stated that the program to increase the total area under cultivation from 165,000,000 hectares in 1954 to 190,000,000 hectares by 1956 was the "easiest and quickest" way of increasing grain production to meet the needs of the livestock industry, to satisfy the growing requirements for breadstuffs, to build up state

production, represents an attempt to approximate in the USSR the world-famous corn-hog belt of the American midwest. A goal of 28 million hectares was set for 1960. This aim will require a large-scale shift in the crop patterns of traditional grain areas.

Under the climate conditions of the Soviet Union, a program of this magnitude appears unrealistic, even though the Soviet planners apparently are taking into account the fact that much of the



reserves, and to increase grain exports.

Initially, this appeared to be an emergency program--a fast means of increasing production until such time as the traditional grain-growing areas might produce bigger yields. Now, however, there are definite indications that the reclamation of the marginal lands is regarded as a long-term program.

The plan to increase corn acreage, cited by Khrushchev as "one of the most important" means of increasing grain

corn will not mature fully and will have to be harvested as silage.

The increase in corn acreage is to be at the expense of other so-called "lower-yielding" grains, fodder and root crops, grasses, pastures, and fallow lands, and will necessitate a great increase in labor, labor-saving machinery and storage facilities.

In addition to the marginal lands and corn expansion programs, grain production is to be raised by an increase of yields per hectare and a reduction of harvest

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losses, in some cases admitted to be as high as 25 percent. In the original Fifth Five-Year Plan, increased yields were to account for 90 percent of the planned increase in grain production as against only 10 percent resulting from expansion of acreage.

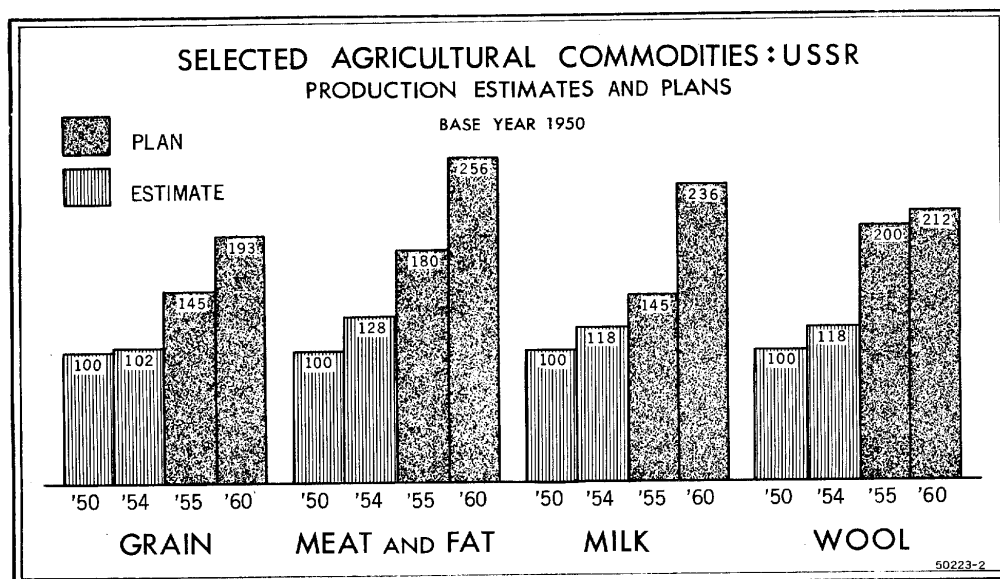
Concurrently, by 1955 fertilizer production was to be raised 88 percent over 1950. By the end of 1954, however, production was only 45 percent above the 1950 level, and early that year Khrushchev had inaugurated the "new lands" campaign.

The scope of the agricultural programs launched since 1953 reaffirms the traditional Soviet goal of self-sufficiency and apparently has

been cumulative, one program being added to another in a rather desperate effort to increase total agricultural production. Concomitantly, land, labor and capital inputs have been pyramided.

The impressive volume of allocations to agriculture indicate that this most important aspect of the Soviet new course is to continue unabated. The actual agricultural increases, however, will not be of the magnitude which the plans envisage. Current estimates--which assume normal weather conditions--are that 1960 grain and livestock production will be between 20 and 30 percent above 1954 production, as compared with the scheduled increase of about 100 percent.

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FRENCH POLICY AND THE TURKISH-IRAQI PACT

France is following a policy in the Near East which exploits and is intensifying discord among the Arabs and threatens to weaken Western solidarity. The policy arises from a fear that the new Turkish-Iraqi treaty is a prelude to Iraqi-Syrian union which would threaten French interests in Syria.

France maintains that it is not opposed to the "northern tier" concept of Middle East defense, but argues that the Turkish-Iraqi treaty, while a step in the "right direction," is not necessarily the "right move."

The French fear that the treaty will be used as a cover for Iraqi designs for union with Syria and that such a union would destroy French influence in Syria.

The violence of the Egyptian reaction to the Turkish-Iraqi plans indicates to the French that efforts to orient the Arab states toward the West may be impaired.

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The French also fear that Cairo may devote increasing attention to their African holdings. They are concerned, furthermore, about Egyptian influence in Libya, with which France is now stalemated on the status of French forces in the Fezzan.

In addition, Paris is troubled by the possibility that it will be excluded from the Turkish-Iraqi pact while the United States and Britain are invited to join. France is interested in eventual adherence to the treaty, but this is opposed by both Turkey and Iraq. Paris' resentment on this score is certain to mount when it learns of Britain's adherence, which may take place as early as mid-March.

Although France no longer has military forces in the Middle East, abandonment of the Big-Three partnership in that area of traditional interest to France would be particularly hard for the French to swallow, the American embassy in Paris believes.

The embassy anticipates that the French would view a break in Western solidarity in the Middle East as the forerunner of breaks on other issues, and that France may charge the United States and Britain with favoring solidarity only when their interests are served.

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The American embassy in Damascus takes the view that France's effort to maintain the status quo in Syria fits in with the Soviet aim of keeping Syria free of defense ties with the West.

The French profess to believe that the Turkish-Iraqi treaty will have generally adverse effects in the Middle East. They are concerned over the Israeli reaction to the pact and the possibility of a harder Egyptian attitude toward Israel and the West.

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